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FISCAL IMPACT STATEMENT

LS 7401

BILL NUMBER: HB 1298

NOTE PREPARED: Jan 20, 2015

BILL AMENDED:

SUBJECT: Political Subdivision Risk Management.

FIRST AUTHOR: Rep. Torr

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill permits the Indiana Public Employer's Plan, Inc. (Corporation) to submit a plan to the Department of Insurance (DOI) to operate as a mutual insurance company under the supervision of the DOI.

Upon approval by the DOI of the Corporation's plan:

- (1) the provisions of law governing mutual insurance companies organized after June 30, 1977, apply to the corporation;
- (2) regulatory oversight of the corporation is transferred from the Worker's Compensation Board to the DOI;
- (3) the corporation is directed to provide the Legislative Council with a report in electronic format describing any changes needed to bring state law into conformity with the plan; and
- (4) if the DOI approves a plan for the corporation to assume the powers, rights, duties, assets, and obligations of the Political Subdivision Risk Management Commission (Commission), in accordance with the plan:
 - (A) the Commission is dissolved;
 - (B) the powers, rights, duties, assets, and obligations of the Commission are transferred to the Corporation;
 - (C) the Political Subdivision Risk Management Fund and the Political Subdivision Catastrophic Liability Fund are terminated and the assets are transferred to the Corporation; and
 - (D) the Corporation shall operate in accordance with the plan, notwithstanding any statutory provision in IC 27-1-29 or IC 27-1-29.1 to the contrary.

Effective Date: Upon passage.

Explanation of State Expenditures: *Summary:* If the responsibilities of the Political Subdivision Risk Management Commission are transferred to the Indiana Public Employer's Plan Corporation and is approved by the DOI, state General Fund expenditures could decrease by approximately \$12,000 per year.

Additional Information: At a minimum, this bill will increase DOI workload to review a plan submitted by the Indiana Public Employer's Plan Corporation to take over the responsibilities of the Political Subdivision Risk Management Commission.

If the plan is approved by the DOI, regulatory oversight of the Indiana Public Employer's Plan Corporation would be transferred from the Worker's Compensation Board to the DOI, and the Corporation would replace the Political Subdivision Risk Management Commission. Included in the transfer would be any assets or balances in the Political Subdivision Risk Management Fund and the Political Subdivision Catastrophic Liability Fund.

For FY 2014 the DOI reports the two funds collected a total of \$136,000 in revenue and had \$103,000 in expenses. There are currently three political subdivisions participating in programs funded by the Risk Management Fund and two political subdivisions participating in programs funded by the Catastrophic Liability Fund. The Political Subdivision Risk Management Commission received an annual appropriation of \$67,000 per year for FY 2014 and FY 2015, of which \$11,600 was expended during FY 2014 on operations.

The Indiana Political Subdivision Risk Management Commission provides insurance of last resort to Indiana cities, counties, and other political subdivisions. Political subdivisions that wish to purchase insurance from the Commission do so through a licensed insurance producer or directly from the Commission.

The Indiana Public Employer's Plan Corporation is an Indiana not-for-profit corporation that operates a self-funded group program for the purpose of assisting members in obtaining worker's compensation coverage and to develop comprehensive loss control programs. Membership in the Corporation is limited to political subdivisions and government entities of the state, of which there are approximately 700 active members. The Corporation is currently the largest provider of public entity workers' compensation in the state and provides coverage for as much as \$1 B in public employee wages.

Explanation of State Revenues:

Explanation of Local Expenditures: This bill could impact insurance premiums paid by local units of government. Any impact on local insurance premium expenditures will depend on insurance coverage costs for plans obtained through the Corporation as opposed to the Commission, if the transition plan is approved by the DOI.

Explanation of Local Revenues:

State Agencies Affected: DOI.

Local Agencies Affected: All.

Information Sources: HEA 1001 - 2013; Tyler Ann McGuffey, DOI; Patrick Downey, Indiana Public Employer's Plan, INC.

Fiscal Analyst: Bill Brumbach, 232-9559.